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IN THE

Supreme Court of the United States

OCTOBER TERM, 1948

No. 480

PANGBORN CORPORATION,

Petitioner,

vs.

THE AMERICAN FOUNDRY EQUIPMENT COMPANY,

Respondent

PETITIONER'S REPLY TO RESPONDENT'S BRIEF

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INDEX

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Scope of the Petition

The petition is not limited to the amended complaint, as stated in American's brief.

Review and reversal are sought of all parts of the judgment adverse to Pangborn; *inter alia,* the affirmance of the District Court's order (R. 363a) dismissing the complaint as amended; the affirmance of the order (R. 364a) made by the District Court on May 27, 1947 dismissing Pangborn's motion of May 15, 1944 for leave to amend its amended complaint, accompanied by the proposed amendment; and the direction on remand (R. 400) to strike Pangborn's

answer [1] to American's paper which calls itself "Amendment and Supplement to Defendant's Counterclaim" (R. 316a).

Pangborn's Charges of Fraud

American's statement on this point is both inaccurate and involved.

Pangborn's charges are as follows:

(1) That American perpetrated fraud and deceit in the Patent Office in obtaining the revival of the abandoned Peik application S. N. 685,025.[2] The fraud enabled American, by means of Interference No. 71,085, to delay for about five years the issuance of a patent to Pangborn for the interference issue, and to use the subject matter thereof without patent infringement liability. It further enabled American to participate in Interferences Nos. 74,841 and 75,177. It further enabled American to use the tainted application as of trading value in the negotiation of the agreement of December 31, 1941.

The amount of Pangborn's recoverable loss and expenses incurred *due to this fraud* perpetrated in obtaining the revival aforesaid is not moot.

(2) That American, by maneuvers involving corruption and fraud, delayed the issuance of a patent on the Grocholl

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[1] No answer was made to American's "attempted" (proposed) amendment which accompanied its motion filed January 3, 1947.

The Court of Appeals identifies American's "attempted" amendment in the penultimate paragraph of its opinion (R. 399) as follows:

> "By the attempted amendment and supplement to its counterclaim as amended (that is to say, by the last pleading attempted to be filed by American) • • •."

The motion of January 3, 1947 having been denied, there was no occasion to answer or otherwise notice the proposed amendment and supplement which accompanied the motion.

[2] Commissioner's decision of July 19, 1948 (R. 398).

application [3] until after the judgment of the Court of Appeals affirming the District Court in "The Pittsburgh Suit," said maneuvers being as follows:

(a) Acquisition of the Hollingsworth application S. N. 570,782 and its corruption;

(b) Provocation of Interference No. 72,090 between said application and the Grocholl United States application S. N. 534,249;

(c) Adducing proofs on the eve of the trial in "The Pittsburgh Suit," which proofs American asserted, in the Patent Office, established one or more successful uses of the Hollingsworth directional control, centrifugal, blasting machine as early as 1929, constituting "prior uses" [4] to Grocholl; resulting in an award adverse to Grocholl and subsequent rejection of his application; and

(d) Filing a Protest, based on said award and said "prior uses," to the grant of any patent on the Grocholl application.

The delay aforesaid constituted, in effect, the making away by American with evidence which otherwise would have been available to Pangborn for establishing invention by Grocholl prior to Peik.[5]

(3) That American concealed from the Courts in "The Pittsburgh Suit" the Hollingsworth 1929 "prior uses" aforesaid.

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[3] Patent No. 2,224,647 (E.B. 2x) disclosing and claiming a directional control, centrifugal, blasting machine was ultimately issued on this application, over nine years after its date of filing. The Peik patent No. 1,953,566 was issued less than three months after the date of filing of the application therefor.

[4] The same "prior uses" antedated Peik's advent by more than three years.

[5] Now belatedly but conclusively established by the effective date of the Grocholl patent No. 2,224,647.

(4) That American in "The Pittsburgh Suit" adduced proofs and made representations antithetical to its proofs and representations in the Patent Office in Interference No. 72,090; its proofs and representations in "The Pittsburgh Suit" being as follows:

(a) That the Hollingsworth machine was a failure because, *inter alia*, it required a *shroud* about the rotor; and

(b) That it was abandoned and succeeded by Peik, which was a commercial success.

Only two of the Peik machines were ever sold; both on a single conditional order. Because of fatal infirmities developed in ephemeral tests, they were scrapped.

On the Fraud Question, This Is "A Page of History Is Worth a Volume of Logic" Case

In the Patent Office, in the prosecution of the Hollingsworth application S. N. 570,782, American contended that Hollingsworth was the first inventor of a directional control, centrifugal, blasting machine. In Interference No. 72,090 it adduced proofs which it asserted established that Hollingsworth had successfully used in this country one or more directional control, centrifugal, blasting machines as early as 1929, which constituted "prior uses" to the Grocholl application, which in the interference was conclusively entitled, as its date of invention, to May 10, 1930; years prior to Peik's advent.

In "The Pittsburgh Suit" American took proofs for establishing, and argued, that the Hollingsworth machine was a failure.

At the date of the opinion of the Court of Appeals, the proofs and arguments by American in Interference No. 72,090 were unknown to it. They did not become public

until after the Grocholl patent issued on December 10, 1940. American cannot be heard to deny the verity of its evidence and representations in the interference.

The antithetical proofs and arguments by American regarding the Hollingsworth machine are sufficient in and of themselves to establish the fraud charged by Pangborn.

Had the issuance of the patent on the Grocholl application not been delayed it would have been available to Pangborn for antedating Peik. *Today* the effective date of the *patent which ultimately issued on the United States Grocholl application* (E.B. 2x) *antedates Peik.* It illustrates (Figs. 8 and 9), describes in its specification, and claims in its claims (4 and 10), a directional control, centrifugal, blasting machine.

Had American not concealed in "The Pittsburgh Suit" its representations and proofs in Interference No. 72,090 regarding Hollingsworth's 1929 "prior uses," the latter would have defeated Peik.

The claim based on these frauds is clearly set forth in the final paragraph of section 18 of the amended complaint (R. 186a). Indeed the fraud is set forth in the whole of sections 18 to 20, inclusive (R. 180a-189a), with an averment of damage to Pangborn by reason thereof in excess of $700,000.00.

American never filed an answer to the amended complaint, as required by Rule 15(a), F.R.C.P.

The visit of Grocholl to the Pangborn plant in September 1934, recited at p. 6 of American's brief, is of no importance, if true. At that date Grocholl did not have a United States patent, and his machine is not comparable in efficiency, or productivity, to the "RA Rotoblast" which Pangborn exhibited to the Foundry Industry in October 1934.

The fact that Pangborn may have had in August 1935 copies of both the Grocholl and Hollingsworth applications is of no importance, if true. At that date Pangborn's "RA Rotoblast" was a success on the American market, and so far as any evidence shows to the contrary neither the Grocholl machine nor the Hollingsworth machine was ever sold in competition therewith.

American admits that both the corrupted Hollingsworth application and a later filed Hollingsworth application have been abandoned (brief, bottom p. 6). The accompanying statement is naive that the Commissioner of Patents restored the Peik application "to the abandoned files."

We admit the statement on p. 6 of American's brief that the Court of Appeals said in its final opinion that the amended complaint states "no controversy cognizable in the District Court of Delaware."

It is believed that Pangborn has correctly invoked the equitable power of the District Court of Delaware (1) to enjoin American from the further use of the injunctive order it obtained by corruption and fraud in "The Pittsburgh Suit"; and (2) to require American (a) to make restitution of the sum of $450,000.00 which Pangborn paid American in settlement of its claims to and including December 31, 1941; (b) plus an amount equal to all royalty payments made by Pangborn to American; (c) in addition a sum covering the damages which Pangborn has sustained by reason of the revival by fraud of the abandoned Peik application S. N. 685,025 and the use of that application in Interferences Nos. 71,085, 74,841 and 75,177; (d) as well as all expenses which Pangborn incurred by reason of the fraud practiced in "The Pittsburgh Suit" and the fraud practiced in connection with abandoned application S. N. 685,025; and (e) for an accounting. (See quotation in

Root Refining Co. v. *Universal Oil Products Co.*, 169 Fed. 2d 514, from *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, on "equitable relief against fraudulent judgments.")

Conclusion

It is plain from the foregoing that the decision of the Court of Appeals sought to be reviewed and reversed is untenable and in conflict with the applicable decisions of this Court in many, if not all, of the particulars set out in the petition under the heading "Reasons Relied on for the Allowance of the Writ" (p. 15).

Repeated decisions of this Court have made plain that the perpetration of fraud in attempting to obtain a patent, or maintain a patent, or have its claims unduly expanded, is a question of *paramount public interest*, and therefore it would seem manifest that Pangborn was acting in the public interest when it succeeded, after a long and hard-fought contest, in obtaining the finding of the Commissioner of Patents that American was endeavoring in his bureau, by fraud, to obtain a patent to which it was not entitled, had participated in a long-fought interference in which it should not have been made a party, and was then in two other interferences in which it had no place; and that Pangborn is also acting in the public interest in its effort to expose the corruption and fraud which American practiced in "The Pittsburgh Suit," by which it induced the Court of Appeals to ascribe to the Peik patent the status stated on p. 4 of the petition, notwithstanding American itself well knew, as was disclosed in Interference No. 72,090 and the proceedings therein in which it had participated, that Peik at best trailed both Grocholl and Hollingsworth in respect to the inventorship of the directional control, centrifugal, blasting machine, and particularly in respect to the subject

matter which the Court of Appeals in "The Pittsburgh Suit" ascribed to Peik.

Respectfully submitted,

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(813)